Foreign ownership, wages and spillovers: an analysis using German linked employer-employee data*

M J Andrews
University of Manchester, UK

T Schank
Universität Erlangen-Nürnberg, Germany

R Upward
University of Nottingham, UK

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Abstract

In this paper we investigate the relationship between the ownership of firms, the wages of workers, and a potential source of productivity "spillovers" between foreign-owned and domestic firms. One potential channel for these spillovers is the movement of skilled workers from foreign-owned to domestic firms. Although there is a large empirical literature which has attempted to estimate the size of productivity spillovers, evidence on spillovers due to worker mobility is scarce and comes mainly from small surveys in developing countries.

In contrast, we use a large linked employer-employee dataset of German plants and their workers provided by the Institut für Arbeitsmarkt- und Berufsforschung. The data allow us to identify the ownership of firms and also to track workers as they join and leave foreign-owned and domestic firms.

We estimate the size of any wage premium associated with working for a foreign-owned firm, controlling for biases which might arise due to unobserved worker or firm effects. We then investigate whether these wage premia are lost upon movement to domestic firms, or whether human capital effects persist across employers. If foreign-owned firms provide valuable general human capital which "spills over", we should observe wage premia for workers' subsequent employers. JEL Classification: C23, F23, J31

*Corresponding author: Thorsten Schank, Universität Erlangen-Nürnberg, Germany thorsten.schank@wiso.uni-erlangen.de